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C O N F I D E N T I A L SECTION 01 OF 02 QUITO 002440

SIPDIS

SENSITIVE

PASS TO WHA OAS

E.O. 12958: DECL: TEN YEARS

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SUBJECT: CONGRESS OFFERS, AND PALACIO RESISTS, ASSEMBLY

COMPROMISE

REF: QUITO 2409

Classified By: PolChief Erik Hall for reason 1.4 (b&d).

**¶1.** (C) Summary: President of Congress Wilfredo Lucero met with President Alfredo Palacio October 24 to relay lawmakers' support for a constitutional assembly, but not a more powerful constituent assembly as favored by Palacio. The constituent assembly -- intended for times of complete governmental breakdown -- could not only rewrite the constitution, but dismiss the Congress. Palacio has publicly resisted the compromise, insisting instead on his preferred assembly over Congressional and electoral court opposition. This may be a tactic to gain leverage over Congress, or could signal more dangerous intentions which could affect stability and U.S. interests. End Summary.

Constituent Assembly: All or nothing?

**¶2.** (U) As proposed by Lucero, with the backing of more than 2/3 of Congress including the PSC, ID, PRE, PRIAN and DP parties, A constitutional assembly approved by referendum would be limited to drafting amendments to agreed upon parts of the constitution. Congress proposes that the assembly's members be selected by universal vote. Palacio's earlier plan, which he submitted directly to the Supreme Electoral Tribunal (TSE) in an effort to bypass Congress, called for the body to be 50 percent members of civil society and 50 percent party representatives. The TSE ruled that Palacio's proposal required the approval of Congress (RefTel).

**¶3.** (U) Since the TSE rejected Palacio's proposed referendum, Palacio has appealed for public support and courted civil society groups, running TV spots promoting the assembly idea. On October 25 Palacio told a group of 25 civil society groups that he continued to support a constituent, and not a constitutional, assembly. Civil society groups organized pro-assembly rallies in Quito and Guayaquil on October 21, attracting several thousand, and are expected to take to the streets again shortly. Most are calling for the constituent assembly and the immediate resignation of congress members. Some have threatened to remove parliamentarians by force.

Political Class United Against Palacio

**¶4.** (C) PSC Congressmen (and brothers) Luis Fernando and Carlos Torres told PolOffs October 26 that Palacio risked his presidency by continuing to challenge Congress over the dueling assembly models. They alleged that Palacio intends to bypass Congress by issuing a decree authorizing a constituent assembly. His ultimate goal is to postpone 2006 national elections and extend his mandate. Palacio is influenced by outsiders, they alleged further, including Central American political consultant Julio Ligorria, who has been advising Palacio, and "elements loyal to Chavez," including former minister of social welfare Patricio Acosta.

**¶5.** (C) According to the Torres brothers, Palacio's assembly proposal is a Chavez-like constitutional reform, which must be stopped. Opposition discussions with the military leadership have already begun, they alleged, and an impeachment attempt was also under discussion between political parties, should Palacio refuse to compromise. Palacio's whole strategy, they believed, grew out of his need to seize the political initiative to distract from the recent return of ex-President Gutierrez.

Comment

**¶6.** (C) The Torres brothers are transparently trying to manipulate us by alleging a Chavez influence over Palacio, but we see real danger to USG interests should Palacio choose to subvert what few constitutional checks still exist here by attempting to put his constituent assembly proposal directly to the people. In addition to risking his government's stability, an unbounded assembly would put other democratic institutions (e.g. Congress and the new Supreme Court,

assuming it exists) at risk and could be used to block an FTA or disavow the Manta accords. Activating street protests to push for an assembly is a very risky tactic, since once begun Palacio will likely not be able to control this agitation. Indigenous and leftist civil society groups could see the assembly as an opportunity to advance their agendas, and may be ready to take to the streets.

17. (C) Palacio still has another, more palatable, opportunity to accept a more limited reform agenda by negotiating with Congress over its counter-proposal. We will encourage him to take it.

JEWELL